

## ORDINANCE NO. \_\_\_\_\_

1 AN ORDINANCE amending Chapter 2.65 of the Lincoln Municipal Code  
2 relating to the Police and Fire Pension Plan - Plan "B" by amending Section 2.65.020 to  
3 provide for a definition of "DROP", the Deferred Retirement Option Plan for the Police and  
4 Fire Pension Plan "B"; adding a new section numbered 2.65.045 to establish the requirements  
5 for participation by Police and Fire Pension Plan "B" members in the Deferred Retirement  
6 Option Plan; and repealing Section 2.65.020 of the Lincoln Municipal Code as hitherto  
7 existing.

8 BE IT ORDAINED by the City Council of the City of Lincoln, Nebraska:

9 Section 1. That Section 2.65.020 of the Lincoln Municipal Code be amended  
10 to read as follows:

11 **2.65.020 Definitions.**

12 As used in this chapter, and unless the context otherwise requires, the following words  
13 shall have the following meanings:

14 **Actuarial equivalent.** The computation of the actuarial equivalent shall be according  
15 to the group annuity mortality table 1971, and interest of six percent per annum, compounded  
16 annually.

17 **Age and service retirement benefits** shall annual include pension benefits payable to  
18 members who meet applicable age and service requirements and who elect to retire, and shall  
19 not include disability retirement benefits.

20 **Base pay** shall include a member's base rate of pay, longevity, and shift differential and  
21 shall exclude any other additional form of pay or benefit.

22 **City** shall mean the City of Lincoln, Nebraska.

1           **Deferred annuity** shall mean an annuity under the terms of which a member has a fully  
2 vested right to receive payment at a definite future date. Deferred annuities shall be payable  
3 to members who have at least ten years of service, but have not attained age fifty-three. The  
4 amount payable shall be an actuarial equivalent based upon: a ratio of the number of years  
5 of the member's service over the number twenty-one applied to the otherwise applicable age  
6 and service retirement benefits; the age of the member at time of termination; and the options  
7 relating to distribution and survivor beneficiaries selected by the member.

8           **Disability retirement** benefit shall mean a benefit payable as a result of permanent and  
9 total disability while in the commissioned service of the City. The amount of the benefit shall  
10 be determined by several factors, including but not limited to, the member's regular pay, years  
11 of service, and the cause of the permanent and total disability.

12           **DROP** shall mean the Deferred Retirement Option Plan as provided in Section  
13 2.65.045.

14           **Former member** shall mean a member who has terminated his or her service with the  
15 commissioned fire or police service of the City.

16           **Member** shall mean any individual in the commissioned fire or police service of the  
17 City who was employed on or after April 11, 1984 or who, prior to April 11, 1984, elected  
18 to contribute 7.6% of base pay to the plan and who elected to participate in Police and Fire  
19 Pension Plan B within thirty days after the operative date of Chapter 2.65 of the Lincoln  
20 Municipal Code; provided, however, the Police Chief and the Fire Chief shall not be eligible  
21 to participate in this plan.

22           **Military service** shall include service in the U.S. Army, Navy, Air Force, Marine Corps  
23 and any branch of service connected therewith.

24           **Normal retirement age** shall be attained age fifty-three.

1           **Partial annuity benefit** shall mean a benefit payable to a member who terminates  
2 employment after completing ten years of service, but before satisfying all of the requirements  
3 for age and service retirement. The amount payable shall be an actuarial equivalent based  
4 upon: a ratio of the number of years of the member's service (not to exceed twenty-one) over  
5 the number twenty-one applied to the otherwise applicable age and service retirement  
6 benefits; the age of the member at time of termination; and the options relating to distribution  
7 and survivor beneficiaries selected by the member.

8           **Plan** shall mean the Police and Fire Pension Plan "B" of the City.

9           **Regular interest** shall mean the rate of interest earned each calendar month,  
10 commencing January 1, 1976, as determined by the City in conformity with the actual  
11 earnings on investment of the fund created by Section 2.65.010. Whenever such interest is  
12 required to be credited to any member under the provisions of this title, such interest during  
13 any calendar month or portion of such month shall be based upon his or her accumulated  
14 contributions, plus regular interest thereon, on the first day of that month.

15           **Regular pay** shall mean the member's base pay for the last consecutive twenty-six  
16 bi-weekly pay periods. In case of a demotion, or out of class pay, it shall mean the highest  
17 consecutive twenty-six bi-weekly pay periods.

18           **Required contributions** shall mean contributions of seven and six-tenths percent (7.6%)  
19 of a member's base pay.

20           **Retirement** shall mean the termination of service in the commissioned fire or police  
21 service of the City upon or after fulfilling all conditions of eligibility for retirement, and shall  
22 include regular, extended, early, and disability retirement.

23           **Survivor beneficiary** shall mean the natural person having an insurable interest  
24 designated in writing by the member to receive benefits under this plan in the event of and  
25 after the death of a member.

1           **Total disability** shall mean (a) the physical incapacity of a member to perform the work  
2 of a firefighter or police officer resulting from violence to the physical structure of the body  
3 and such physical disease or infection as naturally results therefrom, or (b) mental disorder  
4 (excluding mental deficiency and personality disorder) of a member, diagnosed in accordance  
5 with the American Psychiatric Association Manual, 1980 Edition, which is sufficiently severe  
6 so as to warrant a minimum rating of fifty percent under the general rating formula set forth  
7 in 38 C.F.R. § 4.132 (7-1-93 Edition) [See Appendix A].

8           Section 2. That Chapter 2.65 of the Lincoln Municipal Code be amended by  
9 adding a new section numbered 2.65.045 to read as follows:

10   **2.65.045     Deferred Retirement Option Plan (DROP).**

11           (a)   Any member shall have the opportunity to participate in the DROP program.  
12   The DROP program provides that for a one-year period, subsequent to attaining normal age  
13   and service retirement eligibility, or subsequent to the adoption of the DROP program which  
14   for purposes of this section shall be deemed to be the later of September 1, 2000 or the first  
15   of the month following a favorable letter determination by the Internal Revenue Service, a  
16   member may voluntarily choose to participate in the DROP program. If the member chooses  
17   to participate in the DROP program, the member shall be deemed to have retired for purposes  
18   of the Police and Fire Pension Plan "B", but the member may continue in active employment  
19   for a five-year period. For the five-year period in which the member is participating in the  
20   DROP program, the member's pension benefit payments will be deposited into a DROP  
21   account for the benefit of the member until the member actually retires from active  
22   employment at or before the expiration of the five-year period. Thereafter, future pension  
23   payments will be made directly to the member, and the member will then have access to the  
24   payments previously made into the DROP account.

1           **(b) To participate in the DROP program, a member must meet the following**  
2 **requirements:**

3           **(1) A member shall be eligible to enter the DROP program at any time**  
4 **during the one-year period subsequent to the date when the member has (i) attained normal**  
5 **retirement age; and (ii) completed twenty-one years of service. Members having attained**  
6 **normal retirement age and completed twenty-one years of service on or before the date of**  
7 **adoption of the DROP program shall be eligible to enter the DROP program only during the**  
8 **one-year period subsequent to the date of adoption of the DROP program which shall be**  
9 **deemed to be the later of September 1, 2000 or the first of the month following a favorable**  
10 **letter of determination by the Internal Revenue Service.**

11           **(2) A member who elects to enter the DROP program shall be entitled to**  
12 **receive regular age and service retirement benefits in accordance with Sections 2.65.100(c)**  
13 **and 2.65.050. A member is entitled to remain in the DROP program for a maximum of five**  
14 **years subsequent to the date of the member's DROP election. A member may separate from**  
15 **service and thereby exit the DROP program at any time during the five-year DROP period.**  
16 **On or before the completion of the five-year DROP period, the member must separate from**  
17 **active employment and thereby exit the DROP program.**

18           **(3) During the DROP period, a member's eligible pension benefit payment**  
19 **shall be payable to the DROP investment account vendor designated in the member's name.**  
20 **The member shall be responsible for directing the investment account designated for the**  
21 **benefit of the member by advising the DROP investment account vendor accordingly.**

22           **(4) A member electing to enter the DROP program must choose a pension**  
23 **payment option as outlined in Section 2.65.050. After the option is chosen, the member shall**  
24 **not be entitled to any retirement benefit changes for reasons including, but not limited to,**  
25 **wage increases, promotions, and/or demotions; provided, however, that the restriction on**

1 retirement benefit changes shall not apply in the event of duty-related death or duty-related  
2 disability. The benefit amount shall be frozen as of the date of election and shall be payable  
3 as if the employee retired on that date and separated from active employment. In the event  
4 a member incurs a duty-related death or duty-related disability during the DROP period, the  
5 member or the member's designated pension survivor beneficiary will have the option to  
6 forfeit the DROP account designated for the member and accept a duty-related death pension  
7 or duty-related disability pension or keep the DROP account and normal age and service  
8 pension. A member shall also have the option of designating a specific beneficiary of the  
9 DROP account maintained for the benefit of the member.

10 (5) No member shall be allowed to continue making the required  
11 contributions while the member is enrolled in the DROP program. The member shall be paid  
12 the amount of the frozen pension benefit payment upon the member's separation from active  
13 employment at the expiration of the three-year DROP period and thereby ending the  
14 member's participation in the DROP program. In the event a member has not voluntarily  
15 separated from active employment on or before the completion of the five-year DROP period,  
16 the member's pension benefit payments will be made directly to the member thereby ending  
17 the member's active employment.

18 Section 3. That Section 2.65.020 of the Lincoln Municipal Code as hitherto  
19 existing be and the same is hereby repealed.

20 Section 4. That this ordinance shall take effect and be in force from and after  
21 its passage and publication according to law.

Introduced by:

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00-103

Approved as to Form & Legality:

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City Attorney

Staff Review Completed:

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Administrative Assistant